

INTERNAL REVENUE SERVICE  
DISTRICT DIRECTOR  
31 HOPKINS PLAZA  
BALTIMORE, MD 21201

Department of the Treasury

Person to Contact:

Telephone Number:

Reply to:

Date:

OCT 6 1992

CERTIFIED MAIL

Dear Applicant:

We have completed our review of your application for recognition of exemption from Federal income tax under section 501(c)(6) of the Internal Revenue Code.

The evidence submitted indicates that you were incorporated on [REDACTED], under the laws of the State of [REDACTED] and were organized exclusively for the promotion of the general business interests of the merchants operating in [REDACTED]. Your articles of incorporation further state that your organization is not organized for profit and no part of the net earnings of the membership shall inure to the benefit of any private member or individual. You also expect to promote the common interests of the membership and state that you will not engage in any regular business of a kind ordinarily carried on for profit.

Your activities, as stated in your articles of incorporation include conducting promotional programs, publicity campaigns, special events cooperative advertising and decoration and to perform such other acts and endeavors which may be in the general interest and for the general benefit of the merchants in the [REDACTED].

Your By-laws, at Section 2, Members, state that "each and every business doing business in the Center as a tenant shall be a member in the Association as so stated in their lease. Each member will be entitled to one vote as long as their association dues have been paid on schedule. The owner of the Center shall also be a full member of the Association and shall have the right to attend to votes and to participate in all meetings of the members."

Code	Initiator	Reviewer	Reviewer	Reviewer	Reviewer	Reviewer	Reviewer
Surname	[REDACTED]	[REDACTED]	[REDACTED]				
Date	8/14/92	10/16/92					

[REDACTED]

Income to the association will be paid by the members of the Association as provided by the owner of the Center based on square footage. Expenses will be for promotions and advertisements for the center, newspaper and radio ads, professional fees, office expenses, elections, luncheons, decorating the center and holding a Christmas party for underprivileged children.

Section 501(c)(6) of the Internal Revenue Code provides for the exemption from federal income tax of business leagues, chambers of commerce, real estate boards and boards of trade, not organized for profit and no part of the net earnings of which inures to the benefit of any private shareholder or individual.

Section 1.501(c)(6)-1 of the Income Tax Regulations provides that a business league is an association of persons having some common business interest, the purpose of which is to promote such common business interest and not to engage in a regular business of a kind ordinarily carried on for profit. It is an organization of the same general class as a chamber of commerce or board of trade. Thus, its activities should be directed to the improvement of business conditions in one or more lines of business as distinguished from the performance of particular services for individual persons. An organization whose purpose is to engage in a regular business of a kind ordinarily carried on for profit, even though the business is conducted on a cooperative basis or produces only sufficient income to be self-sustaining is not a business league.

Revenue Ruling 73-411, 1973-2, C.B. 180, concerns a shopping center merchant's association whose membership is restricted to and required of the tenants of a one-owner shopping center and their common lessor. No business concerns, firms, or individuals other than tenants of the center are eligible to join the association.

The organization's activities included providing a forum for communicating and exchanging views between owner and tenants of the center respecting matters related to their tenant-owner relationship, developing and enforcing rules respecting maintaining and policing of shopping areas, walkways, and parking areas, hours of business and similar matters. The organization also arranges and conducts seasonal and other promotions.

In discussing the characteristics needed to be exempt under section 501(c)(6), the court noted that an organization must be one that directs its activities at promoting the common economic interests of all commercial enterprises in a given trade community.

Since this organization was not structured along particular industry or business lines but was composed of various types of business endeavors, the shopping center must demonstrate that it is similar to a chamber of commerce or board of trade. In this case, the court ruled that since the organization had compulsory membership and did not serve the broad interests of a particular line of business or industry, it did not qualify for exemption under section 501(c)(6).

Revenue Ruling 59-391, 1959-2, C.B. 159, holds that an organization whose membership is so restricted that each member represents a different trade, business, occupation or profession does not qualify for exemption under section 501(c)(6) of the Code. The revenue ruling states that since the members of such organization have no common business interests other than their mutual desire to increase their individual sales and because their activities were not directed to improvement of business conditions in one or more lines of business, the organization did not qualify for exemption under section 501(c)(6).

Revenue Ruling 64-315, 1964-21 C.B. 147, holds that an association of merchants whose businesses constituted a "shopping center" failed to qualify for exemption under section 501(c)(6) of the Code where its activities consisted principally of advertising the individual businesses of its members.

Our review of the application submitted to us indicates that your by-laws at Section 2, Members, state that "each and every business doing business in the Center as a tenant shall be a member in the Association as so stated in their lease." You also indicate in your application that your membership is restricted to those businesses that are part of the shopping center. This method of operation is similar to the one described in Revenue Ruling 73-411 where membership in a shopping center merchant's association was restricted to and required of the tenants of a one-owner shopping center.

In order to be exempt under section 501(c)(6) an organization must be one that directs its activities at promoting the common economic interests of all enterprises in a given trade or community. Since the organization described in the revenue ruling did not meet this criteria, the court states that the organization needed to demonstrate that its activities were similar to those conducted by a chamber of commerce or board of trade. In this instance, the court determined that because the merchant's association had compulsory membership requirements for its tenants and could not demonstrate that it served the broad interests of a particular line of business or industry, it did not qualify for exemption under section 501(c)(6).

[REDACTED]

Your organization's membership, like the one described in Revenue Ruling 59-391, also shows that each of your members represents a different (trade, business, occupation or profession. You also cannot demonstrate that you have common business interests other than your mutual desire to increase individual sales. Your activities are also not directed to the improvement of business conditions in one or more lines of business as required by section 501(c)(6).

Therefore, based on the information submitted, we have determined that you are not entitled to exemption under section 501(c)(6) and are a taxable entity. You are required to file federal income tax returns on Form 1120.

If you do not agree with our determination, you may request consideration of this matter by the Office of the Regional Director of Appeals. To do this, you should file a written appeal as explained in the enclosed Publication 892. Your appeal should give the facts, law, and any other information to support your position. If you want a hearing, please request it when you file your appeal and you will be contacted to arrange a date. The hearing may be held at the regional office, or if you request, any mutually convenient district office. If you will be represented by someone who is not one of your principal officers, that person will need to file a power of attorney or tax information authorization with us.

If you do not appeal this determination within 30 days of the date of this letter, as explained in the enclosed Publication 892, this letter will become our final determination on this matter.

Sincerely yours,

[REDACTED]

District Director

Enclosure: Publication 892

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